



South Bay Enterprise Zone (SBEZ)

The South Bay Enterprise Zone, part of the California Enterprise Zone (125EZ) Program, was created to encourage business investment and job creation in certain economically disadvantaged geographic areas of the community. All businesses – industrial and commercial – located within the boundaries of the South Bay Enterprise Zone are eligible for substantial incentives and benefits. The SBEZ includes over 7,000 acres located along the bayfront in Chula Vista and the border region of San Diego. With major development plans underway for this area, businesses may find now is the time to consider locating within the SBEZ.

With 39 zones around the State, Enterprise Zones are an example of how state and local governments are working together to assist business. The South Bay Enterprise Zone is a joint effort of the City of Chula Vista, the City of San Diego, the San Diego Unified Port District and the California Technology, Trade and Commerce Agency. Contact Chula Vista's Community Development Department for assistance in taking advantage of doing business within the SBEZ: (619) 691-5047.

EXISTING INCENTIVES WITHIN THE SBEZ

It is important to note that tax credits are subtracted directly from a business' tax liability making these benefits more valuable to a company's bottom line than standard tax deductions. In addition, if credits earned exceed taxes owed, unused credits can be carried forward to future tax years.

Sales Tax Credits

Zone-located companies can claim a State income tax credit for the amount of sales or use taxes paid when purchasing qualified equipment for use in the Zone, up to a maximum equipment investment of \$1 million (individuals) / \$20 million (corporations). Qualified equipment includes machinery and machinery parts, data processing and communications equipment and certain motion picture equipment.

Hiring Tax Credits

Zone-located employers can claim a State income tax credit for a portion of the amount of wages paid to qualified employees working in the Zone, up to \$31,500 over 5 years (50% of wages paid in the first year; a sliding scale thereafter). Qualified employees are either "disadvantaged individuals" as defined by certain labor legislation or those that live within the Chula Vista/San Diego Targeted Employment Area (TEA), a geographic area of primarily low- to moderate-income households. Individual employees may also claim a tax credit on their income taxes if employed in the EZ – a unique benefit that employers may wish to use when recruiting.

Business Expense Deduction

A company in the Zone may expense certain depreciable property up-front, accelerating the deduction of up to 40% of the cost of qualified personal property (typically equipment and furnishings) purchased for use exclusively within the Zone. This deduction is allowed in the income year the property was placed in service.

Net Operating Loss Carry-forward

A company may carry forward up to 100% of any business loss from Enterprise Zone activity until exhausted, not to exceed 15 years, reducing the amount of taxable income for those years.

Net Interest Deduction For Lenders

Lenders which loan to companies within the Zone may deduct from income the amount of net interest earned on certain loans including business loans, mortgages and loans from non-commercial sources. This incentive encourages lenders to support Zone businesses and may make it more likely for Zone businesses to be eligible for certain private loan programs.

State Contract Preference

Zone-located businesses seeking State contracts receive preference points of up to 5% on contracts for goods manufactured or services performed in the EZ. Businesses can also receive preference points on State contracts of up to 4% if hiring TEA or EZ employees.